

## Message Text

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ACTION NEA-10

INFO OCT-01 AF-08 EUR-12 ISO-00 CIAE-00 PM-04 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06  
SSM-03 EB-08 COME-00 TRSE-00 OMB-01 AID-05 /093 W  
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R 251534Z JAN 77  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 988  
INFO AMCONSUL ALEXANDRIA  
AMEMBASSY AMMAN  
AMEMBASSY BEIRUT  
AMEMBASSY DAMASCUS  
AMEMBASSY JIDDA  
AMEMBASSY KHARTOUM  
AMEMBASSY KUWAIT  
AMEMBASSY LONDON  
AMEMBASSY MOSCOW  
AMEMBASSY PARIS  
DIA WASHDC  
USCINCEUR VAHINGEN GE  
AMEMBASSY TEL AVIV  
AMEMBASSY TRIPOLI  
USSMISSION SINAI 261

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E.O. 11652: N/A  
TAGS: PINT EG  
SUBJECT: GOE PUTS ON BRACE FACE; AHAM THREATENS EGYPT'S REPUDIATION  
OF ARAB  
CAUSE

1.LOCAL PRESS JANUARY 25, RESPONDING TO GOE GUIDANCE DIRECTLY FROM  
MININFO OTEIFY, ADOPTS UPBEAT ATTITUDE IN FACE OF CONTINUING  
POLICY CRISIS. PAPERS STRESS WHAT GOE DOING FOR LITTLE MAN AND  
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RAISE PROSPECT OF EXTERNAL, COORDINATED ASSISTANCE FOR  
SAGGING EGYPTIAN ECONOMY. BANNER HEADLINES OF DEP PRIMIN FOR  
ECON AFFAIRS KAISOUNI'S PRESS CONFERENCE STATEMENT THAT AGREEMENT  
"IN PRINCIPLE" REACHED WITH IMF VIE FOR ATTENTION ON FRONT  
PAGES WITH PICTURES OF SADAT WITH QATARI MINFIN (WHO REPORTEDLY  
CARRYING MESSAGE FROM AMIR).

2. AKHBAR STRESSES KAISOUNI COMMENTS THAT "DECISIONS OF PRES SADAT RESCINDING PRICE RISES BEING IMPLEMENTED." REVISED VERSION OF BUDGET REPORTEDLY TO BE SUBMITTED TO PA FEBRUARY 2. (COMMENT: PA BUDGET COMMITTEE CHAIRMAN ABU ISMA'IL TLD US PRIVATELY THAT PA PROBABLY WOULD INSIST BUDGET SUBMITTED JANUARY 17 BE WITHDRAWN AT ITS NEXT MEETING) KAISOUNI EMPHASIZES THAT NEW LEGISLATION SOON TO BE INTRODUCED TO PA TO END TAX EVASIONS, TAX "PARASITIC INCOMES", AND DISTRIBUTE TAX BURDEN MORE EQUITABLY. KAISOUNI ALSO TALKS OF UNSPECIFIED SUPPLEMENTARY SOURCES OF REVENUE TO OFFSET RESTORED SUBSIDIES, BUT IMPRESSION REMAINS THAT GOE HAS REACHED NO FIRM DECISIONS.

3. KAISOUNI STATEMENTS ON TENTATIVE IMF/IBRD AGREEMENTS DOMINATE AHRAH AND GUMHURIYYA, BUT ALL DAILIES DIFFER IN INTERPRETATION OF WHAT "AGREEMENT" MEANS. AHRAH "LEARNS" THAT IMF LOAN OF \$140 MILLION IN 1977 TO HELP COVER BOP DEFICIT. AKHBAR PROCLAIMS THAT "IN COMING FEW WEEKS" GOE "WILL SIGN AGREEMENT WITH IMF/IBRD FOR \$850 MILLION; \$450 IN LOANS FROM IMF AND \$400 MILLION IN PROJECT AID FROM IBRD." AHRAH, HOWEVER, UNDERSTANDS THAT AGREEMENTS PREVIOUSLY SCHEDULED FOR 1977 NOW TO BE IMPLEMENTED IN 1978. KAISOUNI REPORTEDLY NOTED THAT MEETING OF CONSULTATIVE GROUP IN PARIS IN APRIL WILL DETERMINE AID LEVELS FOR EGYPT AND COMMENTED THAT GUNTER OF IMF TO TOUR VARIOUS ARAB AND WESTERN CAPITALS TO EXPLAIN EGYPTIAN ECONOMIC REFORM PROGRAM.

4. EDITORIALS STRESS OBLIGATION OF ARAB BRETHREN TO RESCUE EGYPT IN HOUR OF NEED, BUT ARTICLE BY HIGHLY RESPECTED AUTHOR NAGUIB MAHFUZ IN JANUARY 24 AHRAH STATES THAT GOE SHOULD REDRESS LIMITED OFFICIAL USE

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BUDGET DEFICIT BY DEDUCTIONS FROM DEFENSE ALLOCATIONS. "UNLESS ARABS READY TO ASSIST EGYPT WITH COMPREHENSIVE ECONOMIC REMEDY, THERE NO POINT IN EGYPT CONTINUING TO BEAR ITS DEFENSE RESPONSIBILITIES TOWARD THEM."

MAHFUZ CONCLUDES THAT, WITHOUT APPROPRIATE ARAB AID, EGYPT "SHOULD TURN ITS BACK ON ARABS AS THEY HAVE TURNED THEIR BACKS TO US" ON ISRAELI QUESTION AND CONCENTRATE ONLY ON INTERNAL PROBLEMS AND WORKABLE UNITY WITH SUDAN.

5. MAHFUZ' BITTERNESS WAS FAINTLY FORESHADOWED BY AKHBAR AL-YAWM'S MUSTAFA AMIN JANUARY 22. IN COURSE OF LONG ARTICLE BLAMING CURRENT AND PAST GOVERNMENTS FOR NOT GIVING PEOPLE THE FACTS AND SCORING ARABS FOR MISERLINESS, AMIN SANDWICHES IN SINGLE SENTENCE SAYING EGYPTIANS SHOULD TELL ALL ARABS THAT, HAVING CARRIED BURDEN OF ARAB CAUASE FOR 30 YEARS, EGYPT WILL BEGIN SAVE EVERY PENNY; AFTER 10 YEARS, "WE WILL RESUME THE TASK WE CANNOT TAKE UP WHILE WE ARE HUNGRY." THIS PARANTHETICAL REMARKS BY AMIN, WHO DEFINITELY NOT SADAT CONFIDANT (TEL AVIV 518).

PRESUMABLY SPRINGS FROM AMIN'S PERSONAL PIQUE WITH RICH ARABS AND REFLECTS ACCURATELY SAME PIQUE ON NATIONAL SCALE. AMIN REMARK, UNLIKE MAHFUZ ARTICLE, RECEIVED N LOCAL ATTENTION.

6. COMMENT: FACT THAT KAISOUNI IS STILL GOE ECONOMIC SPOKESMAN SUGGESTS ECONOMIC "REFORMISTS" HAVE NOT YET LOST BALL GAME. HOW ECONOMIC MINISTERIAL GROUP TO MAINTAIN SOME FORM OF AUSTERITY BUDGET IN FACE OF RESTORED COMMODITY SUBSIDIES REMAINS UNCLEAR, HOWEVER. THAT GOE APPARENTLY UNDECIDED ON HOW TO PROCEED UNDERSCORED BY CONTINUED PUBLIC SILENCE OF PRES SADAT AND FACT THAT HIS ADDRESS TO NATION (ANNOUNCED JANUARY 24 FOR LATER IN WEEK) NOT EVEN MENTIONED IN JANUARY 25 PRESS. MAHFUZ BOMBSHELL ON REPUDIATION OF ARAB CAUSE -- WHICH UNTIL VERY RECENTLY WOULD HAVE BEEN REGARDED AS TREASONOUS--REFLECTS INCREASINGLY WIDESPREAD PUBLIC SENTIMENT THROUGHOUT NOT OFFICIAL EGYPTIAN VIEW. THIS IS EGYPT'S ULTIMATE WEAPON IN CAMPAIGN TO OBTAIN MASSIVE ARAB AID. SINCE LIMITED OFFICIAL USE

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ARTICLE CARRIED IN SEMI-OFFICIAL AHRAH, READ CAREFULLY THROUGHOUT ARAB WORLD, POINT WILL NOT BE MISSED IN OTHER ARAB CAPITALS. EILTS

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## Message Attributes

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**Review Markings:**  
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